

COMMONWEALTH OF KENTUCKY

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BEFORE THE PUBLIC SERVICE COMMISSION

JAN 19 2006

In the Matter of:

PUBLIC SERVICE
COMMISSION

J. W. KINZER DRILLING COMPANY'S)
REQUEST TO INCREASE ITS FARM)
TAP GAS RATES)

CASE NO. 2005-00478

RESPONSES TO INITIAL DATA REQUEST OF COMMISSION STAFF TO J. W.
KINZER DRILLING COMPANY

Comes Patrick G. McNamee, Controller, J. W. Kinzer Drilling Company, and responds to the Initial Data Request of Commission staff herein as follows:

1. Refer to footnote 1 of the application, which describes the derivation of the labor costs. Provide a detailed demonstration of how Kinzer Drilling calculated \$1.731/Mcf for the labor costs.

Response: Please refer to the attached spreadsheet for this calculation, attached as Exhibit A.

2. Refer to footnote 6 of the application, which describes the rent calculation. Provide the basis for using 1.67% of the total cost of rent.

Response: Applicant pays a total of \$6,000.00 per month as rent for the land and buildings it occupies. We estimated that \$100 per month was a reasonable allocation of space costs to the farm tap customers. \$100 per month divided by the total of \$6,000 per month calculates to 1.67% of total rent.

3. Provide a copy of Kinzer Drilling's most recent gas analysis report.

Response: Applicant does not have a single gas analysis report that applies to all gas

sold. The 1.2 Btu factor is an average of the hundreds of separate Btu factors reported to Applicant by the pipeline companies which transport our gas from various points in the field. These factors are calculated by independent pipeline transporters.



PATRICK G. MCNAMEE
CONTROLLER
J.W. KINZER DRILLING COMPANY
P.O. BOX 155
ALLEN, KY 41601

Dated: January 17th, 2006

cc: Timothy C. Bates
Attorney At Law
PO Box 787
Hindman, KY 41822

Exhibit A

Labor Cost Detail for Kinzer Farm Tap Rate Increase Request

See Notes Below		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
Employee	Job Descr	Hrs Paid	Vac Hrs	Billable Hrs	Pay Rate	Gross	ER/Fica	ER/Med	FUTA	SUTA	Med Ins	Pension	Life Ins	Total Cost	Cost/Hr	Total Cust	Time/Cust/Mo	Monthly Cost
Employee #1	Well Tender	2,425.50	50.00	2,375.50	15.06	\$39,129.65	2,426.04	567.38	56.00	176.00	15,054.12	2,200.00	97.20	59,706.39	25.13	21	1/3	175.91
Employee #2	Well Tender	2,600.00	50.00	2,550.00	salary	\$58,200.00	3,608.40	843.90	56.00	176.00	15,054.12	2,200.00	97.20	80,235.62	31.46	8 hrs/month		252.00
Employee #3	Well Tender	3,375.00	50.00	3,325.00	15.06	\$60,578.85	3,755.89	878.39	56.00	176.00	10,219.92	2,200.00	97.20	77,962.25	23.45	15	1/3	117.25
Employee #4	Well Tender	2,367.00	50.00	2,317.00	15.06	\$37,808.13	2,344.10	548.22	56.00	176.00	15,054.12	2,200.00	97.20	58,283.77	25.15	13	1/3	108.98
Employee #5	Well Tender	2,427.00	50.00	2,377.00	12.32	\$32,038.16	1,986.37	464.55	56.00	176.00	15,054.12	2,200.00	97.20	52,072.40	21.91	16	1/3	116.85
Employee #6	Well Tender	2,668.00	50.00	2,618.00	12.81	\$37,943.22	2,352.48	550.18	56.00	176.00	15,054.12	2,200.00	97.20	58,429.20	22.32	15	1/3	111.60
Employee #7	Office	2,600.00	40.00	2,560.00	salary	\$49,647.00	3,078.11	719.88	56.00	176.00	10,219.92	2,200.00	97.20	66,194.11	25.86	24 hrs / month		620.64
Employee #8	Well Tender	3,922.00	50.00	3,872.00	15.06	\$72,935.58	4,522.01	1,057.57	56.00	176.00	9,112.92	2,200.00	97.20	90,157.28	23.28	36	1/3	279.36
Employee #9	Well Tender	2,854.00	50.00	2,804.00	12.81	\$41,517.21	2,574.07	602.00	56.00	176.00	9,112.92	2,200.00	97.20	56,335.40	20.09	25	1/3	167.42
Sub Contractor #1	Meter Reader	n/a				\$ 2,400.00								2,400.00		11		200.00
Employee #10	Well Tender	2,618.00	50.00	2,568.00	15.06	\$43,478.22	2,695.65	630.43	56.00	176.00	5,187.84	2,200.00	97.20	54,521.34	21.23	14	1/3	99.07
Sub Contractor #2	Meter Reader	n/a				\$ 9,600.00								9,600.00		7		80.00
Employee #11	Well Tender	3,798.00	50.00	3,748.00	16.57	\$77,166.49	4,784.32	1,118.91	56.00	176.00	15,054.12	2,200.00	97.20	100,653.04	26.86	9	1/3	80.58
						<u>562,442.51</u>	<u>34,127.44</u>	<u>7,981.41</u>	<u>616.00</u>	<u>1,936.00</u>	<u>134,178.24</u>	<u>24,200.00</u>	<u>1,069.20</u>	<u>766,550.80</u>		<u>182</u>		<u>2,409.66</u>

Average monthly MCF 1,392
 Labor Cost/ MCF 1.731077586

- 1 Hrs Paid is based on the hours worked from 8/1/2004 to 7/31/2005 for each employee including overtime and vacation
- 2 Billable Hrs is the Hrs Paid less Vac Hrs
- 3 Pay Rate is the Hourly rate paid in 2005 - It has increased 4.1% in 2006 (salaries increased 4.1% as well). Subcontractor rates remain the same.
- 4 Gross is the 2080 hrs times the payrate plus Hrs over 2080 times the pay rate times 1.5 for overtime. Salaried employees gross is fixed.
- 5 Employers FICA Expense
- 6 Employers Medicare Expense
- 7 Employers Federal Unemployment Tax
- 8 Employers State Unemployment Tax
- 9 Medical Insurance paid for each employee
- 10 Total pension contributions for the year divided by participants in the plan (each of these employees are participants).
- 11 Cost per employee for a life insurance policy
- 12 Cost per hour is the total cost divided by the billable hrs
- 13 Number of farmtap customers each employee is responsible for reading.
- 14 Amount of time (1/3 hr = 20 minutes) estimated that employee spends on each farmtap customer each month.
- 15 Monthly cost equals the Cost/Hr times the # of Customers times the amount of time.
- 16 The labor cost per mcf equals the total monthly cost divided by the average mcf sold per month.